

ORIGINAL



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ARIZONA CORPORATION COMMISS

UTILITY COMPLAINT FORM

RECEIVED

Investigator: Trish Meeter

Phone:

2010 SEP - 7 Fax: 30

Priority: Respond Within Five Days

Opinion No. 2010 89032

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL  
Date: 9/7/2010

Complaint Description: 08A Rate Case Items - Opposed  
N/A Not Applicable

Complaint By: First: Stephen Last: Champion

Account Name: Stephen Champion

Home: (000) 000-0000

Street: n/a

Work:

City: n/a

CBR:

State: AZ Zip: n/a

is: E-Mail

Arizona Corporation Commission  
**DOCKETED**

Utility Company: Arizona - American Water Company

SEP - 7 2010

Division: Water

Contact Name:

Contact Phone:

DOCKETED BY

DDSN

Nature of Complaint:

DOCKETED W-1301A-09-0343 AND SW-1301A-09-0343 OPPOSED RATES ANTHEM

From: Champion

Sent: Tuesday, September 07, 2010 9:45 AM

To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web

Cc: 'Jodi Jerich'; Utilities Div - Mailbox; Sheila Stoeller; 'Judith Dworkin'; 'Senator David Braswell'; 'Bob Tack'; 'Bob Golembe';

Subject: Docket: W-01303A-09-0343 and SW-01303A-09-0343

Commissioners:

I am writing to express concern about the rate setting mechanics related to 3/4" meter service versus 1" meter service. As you know, the existing structure provides for a large pricing differential that is simply not supportable. To make matters worse, I understand you are contemplating increasing that differential pricing structure.

To fully understand the situation, I contacted three distributor/dealers that handle the Neptune T-10 water meters that service the Anthem Communities. Each distributor/dealer provided Neptune's MSRP (list) for both the 3/4" and 1" meters. (Two were West Coast, one was East Coast.) Pricing was nearly identical for each as follows:

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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3/4" Meter      \$133.33, \$133.33, and \$133.84  
1" Meter        \$226.04, \$243.13, and \$226.04

The average list cost of a 3/4" meter is \$133.50 and the average list cost of a 1" meter is \$231.74 for a net difference of \$98.23. (It is important to note that these are list prices and not dealer or large quantity prices as would have been originally paid.) This confirms the results of the 2009 study I recently provided to the Arizona Corporation Commission wherein the estimate was \$130.00.

With all other things being equal, it remains difficult to understand how we have such a disparate rate structure from Arizona American Water. Referring once again to the 2009 study, most municipal water districts charge equal pricing for 3/4" versus 1" water meters. For those that charge a differential rate, the average was \$6.05 per month.

It seems clear that Arizona American Water should be charging equitably for the services they actually provide. Those homeowners with fire sprinkler systems paid the builder (Pulte/Del Webb) for those systems, including connection to the water meter, when they bought the home. The only difference to Arizona American Water was a one-time cost of less than \$100.00.

Respectfully,

Stephen Champion  
\*End of Complaint\*

### Utilities' Response:

### Investigator's Comments and Disposition:

Docketed  
\*End of Comments\*

Date Completed: 9/7/2010

Opinion No. 2010 - 89032

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## ARIZONA CORPORATION COMMISSION

### UTILITY COMPLAINT FORM

Investigator: Trish Meeter

Phone:

Fax:

Priority: Respond Within Five Days

Opinion      No. 2010      89029

Date: 9/7/2010

Complaint Description:      08A    Rate Case Items - Opposed  
   N/A    Not Applicable

Complaint By:      First:      Last:  
                                 **Bob**      **Golembe**

Account Name:      Bob Golembe      Home: (000) 000-0000

Street:      n/a      Work:

City:      n/a      CBR:

State:      AZ      Zip: n/a      is: E-Mail

Utility Company:      **Arizona - American Water Company**

Division:      Water

Contact Name:      Contact Phone

#### Nature of Complaint:

Docket No. W-01303A-09-0343 and SW-01303A-09-0343 \*\*\*\*\*OPPOSED RATES\*\*\*\*\*ANTHEM

From: Bob Golembe [mailto:  
Sent: Sunday, September 05, 2010 8:36 AM  
To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web  
Cc: Jodi Jerich; Utilities Div - Mailbox; Sheila Stoeller; Judith Dworkin; Senator David Braswell  
Subject: Comment: American Water Works Stock, Docket: W-01303A-09-0343 and SW-01303A-09-0343

Dear Chairwoman Mayes and Commissioners:

I am not a financial analyst; however, I can look at simple tables and charts and understand some of the statistics listed.

As shown on the attached pdf file, a list of DJ US Water Index companies are shown with their % returns for 1-year and 2-year performances, respectively. Please note that American Water Works, parent of Arizona American Water (AAWC) shows:

1 YR    18.00% (3rd from the top)  
2 YR    6.72% (4th from the top)  
DJ US Water Index    0.38% (YTD)

The 1-year reflects the company's reformance during the "deep" economic downturn. The 2-year statistic represents to me the performance through the test year that incorporates AAWC's huge rate increase application. Both yearly returns are indicative of the positive performance that the parent company has achieved even with the "lower" performance of AAWC. The DJ US Water Index has a return of 0.38% (YTD).

Please keep these facts/stats in mind during your deliberation of "fair and just" decision when balanced with the economic times that we are living with day-to-day.

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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Thank you,

Bob Golembe  
Anthem

Additional email received:

From: Bob Golembe [mailto:

Sent: Sunday, September 05, 2010 9:40 AM

To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web

Cc: Jodi Jerich; Utilities Div - Mailbox; Sheila Stoeller; Judith Dworkin; Senator David Braswell

Subject: ADDENDUM: American Water Works Stock, Docket: W-01303A-09-0343 and SW-01303A-09-0343

DEAR CHAIRWOMAN MAYES AND COMMISSIONERS:

PLEASE ACCEPT THIS ADDENDUM TO MY RECENT EMAIL PER THE ABOVE SUBJECT.

Thank you, Bob Golembe

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From: Champion

To: 'Bob Golembe'

Sent: Sunday, September 05, 2010 9:10 AM

Subject: RE: Comment: American Water Works Stock, Docket: W-01303A-09-0343 and SW-01303A-09-0343

Bob:

I'm pretty sure the tables you provided show the percent change in stock price for 1-year and 2-year periods. In my opinion, the measures of performance that are most important are Return on Equity (ROE) which is about 5.81% and Return on Capital which is 3.22% (both measures are trailing 12 months data.).

Steve

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Additional email:

From: Bob Golembe [mailto:

Sent: Tuesday, September 07, 2010 9:51 AM

To: Mayes-WebEmail

Cc: Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web; Jodi Jerich; Utilities Div - Mailbox; Sheila Stoeller; Judith Dworkin; Senator David Braswell

Subject: Comment: Proposed Tariff Difference on Water Meter Sizes, Docket: W-01303A-09-0343 and SW-01303A-09-0343

Dear Chairwoman Mayes and Commissioners:

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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If you recall during your visit to Anthem for our Public Comment session on April 7th, I brought to your attention the approx. \$50 spread that Arizona American Water Co. (AAWC) proposed in its tariff for 1-inch water meter users vs. 3/4-inch users. Since that time, I have collected more data and information that questions the fairness of this tariff difference.

First, AAWC reportedly claims that the increase is due to the infrastructure differences to deliver the volume and pressure for homes that feature fire sprinkler suppression systems. Factually, there are 182 homes in the Parkside subdivision of Anthem's Parkside Landings that have fire sprinklers supported by 3/4-inch meters. In addition, there are 2866 homes in the Anthem Country Club that are supported by 1-inch meters. Both subdivisions feature 1-inch pipes to the lot lines. In fact, there are homes in Parkside that have 1-inch meters WITHOUT fire sprinklers.

In my opinion, it is not a matter of water meter size; it is a matter of cost of service and what is fair. The \$50 spread vs. the national average of \$6.05 (ref: "Integration of Residential Sprinklers with Water Supply Systems, A Survey of 20 US Communities, September 2009) needs to be considered when making a decision.

Are there TWO infrastructure systems in place?

Can AAWC provide data that justifies the tariff difference?

Can AAWC show in their revenue requirements where the cost for 1-inch meter size service is an accounting item that justifies collecting an additional \$1,719,600 per year?

The bottom-line is that unless AAWC can justify the huge difference they are asking for, it should not be fully granted. Again, it is NOT a matter of size, it is a matter of cost of service and what is fair.

Thank you,

Bob Golembe

Anthem

\*End of Complaint\*

### Utilities' Response:

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### Investigator's Comments and Disposition:

Docketed

\*End of Comments\*

Date Completed: 9/7/2010

Opinion No. 2010 - 89029

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W-01303A-09-0343  
SW-01303A-09-0343

## ARIZONA CORPORATION COMMISSION

### UTILITY COMPLAINT FORM

Investigator: Trish Meeter

Phone:

Fax:

Priority: Respond Within Five Days

Opinion

No. 2010

89055

Date: 9/7/2010

Complaint Description:

08A Rate Case Items - Opposed

N/A Not Applicable

First:

Last:

Complaint By:

**Bob**

**Tack**

Account Name:

Anthem Country Club Community Assoc.

Home: (000) 000-0000

Street:

n/a

Work:

City:

n/a

CBR:

State:

AZ

Zip: n/a

is:

Utility Company:

**Arizona - American Water Company**

Division:

Water

Contact Name:

Contact Phone:

Nature of Complaint:

Docket No. W-01303A-09-0343 and SW-01303A-09-0343

OPPOSED RATES

ANTHEM

From: Bob Tack

Sent: Sunday, September 05, 2010 1:34 PM

To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web; Utilities Div - Mailbox

Cc: JJerich@azruco.gov; Liz Turner; 'JACK NOBLITT'; 'jenna kollings'; 'Bob Golembe'; Andy Tobias; Jody Cote;

Peni Long; Ray Norris; Steve Champion

Subject: Anthem Water rate increases W-01303A-09-0343,SW-01303A-09-0343

Importance: High

Chairwoman Mayes,

Commissioners Kennedy, Newman, Pierce, Stump,

Please see the attached letter regarding the Anthem Water Rate increase petition submitted by Arizona American Water Corporation.

Sincerely,

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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Bob Tack

President,

Anthem Country Club Community Association

Attachment:

To: Chairwoman Mayes

Commissioners Kennedy, Newman, Pierce, Stump

Re: Docket W-01303A-09-03-43, SW-01303A-09-03-43

On behalf of the Anthem Country Club Community Association, I am writing with grave concern that the Commission's stance and the stance of the RUDC Commission are more favorable to the Arizona American Water Company (AAWC) than to the thousands of homeowners in Anthem. I am greatly dismayed by what appears to be favorable views toward arguments that will significantly increase the water rates in Anthem. Let me outline the horrendous impact the proposed rate increases of 77% or \$113.21 will have on our community. Please bear in mind we are already paying an average of \$55 a month over the average of 30 water districts in the greater Phoenix metro area.

First and foremost is the impact on over 10,000 homeowners' monthly budgets. In the Anthem Country Club Community Association an increase of 77% will raise individual homeowner bills by \$75-\$125 per month. Even the most conscientious homeowner, who carefully monitors water and currently pays \$95, will end up paying \$168 a month with such an increase. But it doesn't stop there.

Second, as a result of increased costs incurred by their homeowners' association to maintain the areas developed in their neighborhoods by Del Webb, there will be an increase in the homeowners' HOA dues. Maintaining community common areas and community trees and landscape is an expensive obligation of the HOAs in Anthem. Even after careful water conservation and monitoring over the past two years, a rate increase of 75% will force the Country Club HOA to raise its dues to homeowners.

Third, watering of community-wide properties include water parks, swimming pools, catch and release ponds, as well as baseball, soccer and volleyball fields. These amenities fall under the Anthem Community Council, to which each homeowner pays quarterly dues. The Anthem amenities built by Del Webb as the central selling feature to our community all require enormous amounts of water, despite our vigilant management of every water meter on the properties and the use of effluent water. The amenities are necessary for quality of life and the protection of our investment in home ownership. A rate increase of 77% will force the Anthem Community Council to raise its dues to homeowners, thus a third increase in homeowner costs.

Fourth, those homeowners who live in the Anthem Country Club will be given yet another rate increase from the Anthem Golf and Country Club to cover the water rate increase that affects the maintenance of the golf courses, fitness centers and dining rooms. Additionally, costs will be passed to those Arizona companies and Valley homeowners who rent the Anthem Golf & Country Club facilities for their corporate and private events. Now the rate increase will affect financially those outside our immediate community.

The four levels of significant increased costs requested by AAWC will most likely total \$100 to \$115 per month, per homeowner in the Anthem community. And this is on top of our current costs which are on average \$55 more than average in the greater Phoenix Metro area. This is a huge amount of money to be absorbed by the large number of retirees in our community, as well as for young working families, many of whom have seen one or more of their household incomes reduced or eliminated due to the current economic situation.

But the financial impact does not stop there. We have a large number of churches relying on parishioners for

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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donations to support community activities such as food banks, medical support, clothing and substance abuse counseling. The potential increased water costs to homeowners will negatively impact these donations at a time of critical need. Fund raising activities by our local high school clubs such as band, theater, soccer, glee club will be affected as homeowners will not be able to afford to support these worthy youth activities. Our local service clubs, such as Rotary, Kiwanis, VFW, Knights of Columbus and our local fire department also will struggle to raise funds for community service projects. Even our North Valley Posse, who received Council funding to protect the security of our homeowners will be affected. We have businesses, already near the brink of financial foreclosure, which will be forced to close.

In summary the proposed water rate increase will have a devastating impact on our community - 10,000 homeowners with nearly 40,000 residents forced to bear an outrageously high cost burdens due to grossly flawed infrastructure funding.

Which brings me to my final comment: infrastructure repayment. The grossly unfair attempt by the water company to retrieve the upfront infrastructure costs over a very short and limited period of time is unconscionable. As you are undoubtedly aware, the original developer Del Webb/Pulte made arrangements with Citizens Water to build the infrastructure required to deliver water to the Anthem development. An integral part of this arrangement was for Del Webb/Pulte to provide the necessary upfront funds to Citizens Water in the form of a loan which was to be paid back over a very short number years, commencing with the build-out of the community. Citizens later was subsequently acquired by American Water Corporation as a subsidiary and was named Arizona American Water Corporation (AAWC).

As you also know, American Water is the largest publicly traded water Corporation in the United States and is very profitable, currently paying dividends. Rather than securing a long-term bond backed by the infrastructure, AAWC choose to assume the very early repayment schedule originally made between Del Webb/Pulte and Citizen Water. It appears that efforts are being made to establish a horrendous rate increase so that Arizona American Water Corporation can make the early payback of these funds, rather than utilize the nationally accepted standard of financing water infrastructure over a 35 or 40 year time frame.

If the huge increase is granted, the residents of Anthem will be stuck with totally unreasonable water costs far into the future and well after the upfront funding has been repaid. We have no confidence that your successors on the Commission will ever insist that once that money has been repaid, our rates would be lowered. The Commission must stand tall and insist that the Arizona American Water Corporation, seek long-term financing for the repayment of the purchase costs.

This Commission has the authority to correct grievously-erred decisions of past Commissions who neglected to fully understand the financing of the water infrastructure. This Commission should direct Arizona American Water Company to obtain appropriate and industry-established normal long-term funding and consider only such long term funding in establishing rates for our water over the proposed short- term financing. We seek fair and reasonable rates which is a fundamental principal of your commission and not the outrageous rates being requested.

Respectfully submitted,

Bob Tack  
President,  
Anthem Country Club Community Association  
\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**



ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

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Date Completed:

Opinion No. 2010 - 89055

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